

# Work Opportunity and Welfare-to-Work Tax Credits:

*Nine Ways to Earn Income Tax Credits for Your Company*



# Employer Guide

**The Work Opportunity Tax Credit: An Employer-Friendly Benefit  
for Hiring Job Seekers Most in Need of Employment**

- *How to Earn Tax Credit For New Hires*
- *How to Apply For The Tax Savings*
- *Where To Get More Information*



Utah Department of Workforce Services

# Earn the Work Opportunity Tax Credit (WOTC)

- Employers make the hiring decision
- No limit to the number of new hires who can qualify an employer for the tax savings
- Minimal paper work needed to claim the tax credit

**PROGRAM OUTCOMES:** Use of the WOTC has increased substantially in recent years and use of the Welfare-to-Work Tax Credit (WtWTC) has decreased in line with welfare reform objectives. For example, during 2005, over 630,000 certifications were issued by the state workforce agencies, and this figure is growing every year.

**UPDATE:** On May 25, 2007, the President signed into law the Small Business and Work Opportunity Tax Act of 2007 (P.L. 110-28). Section 8211 of this Act extended the WOTC Program for a continuing 44-month period through August 31, 2011. The new provisions and amendments to certain target groups apply to new hires that begin to work for an employer after May 25. A second recent legislation, the Tax Relief and Health Care Act of 2006 (P.L. 109-432) signed into law on December 20, 2006, extended the WOTC for two additional years through December 31, 2007. The Act made various changes & introduced new provisions that streamline the program and make it easier for the business sector to participate. This booklet discusses the WOTC as extended and modified by P.L. 109-432. The consolidated Work opportunity Tax Credit for hiring most target group members can be as much as:

- \$2,400 for each new adult hire,
- \$1,200 for each summer youth hire, and
- \$9,000 for each new long-term family assistance recipient hired over two years



## Hire From Among These Nine Groups of Job Seekers to Qualify:

1. **Long-term TANF recipient\*** — member of a family that received Temporary Assistance for Needy Families (TANF) for at least 18 consecutive months ending on the hiring date, or whose family received TANF for any 18 months after August 5, 1997, and the 18th month of benefits ended no more than 2 years before the hiring date.
2. **Other TANF recipient\*** — member of a family that received TANF for any 9 months during the 18 month period ending on the hiring dates.
3. **Veteran\*** — member of a family that received food stamps for at least a 3 month period during the 15 month period ending on the date of hire.
4. **18-39 year-old food stamp recipient\*** — member of a family that received food stamps for either the 6 month period ending on the hiring date, or at least 3 of the 5 months ending on the date of hire in the case of a family member who ceased to be eligible for such assistance because of failure to meet the work requirement.
5. **18-24 year-old EZ/EC/RC resident** — individual who lives in an Empowerment Zone (EZ), Enterprise Community (EC) or Renewal Community (RC). \*\*
6. **16-17 year-old EZ/EC/RC resident** — individual who works for the employer between May 1 and September 15 and lives in an EZ, EC, RC. \*\*
7. **Vocational rehabilitation referral** — disabled person who completed or is completing rehabilitative services approved by a State, the Ticket-to-Work program, or the U.S. Department of Veteran's Affairs.
8. **Ex-felon** — individual who was convicted of a felony and who is hired within one year of the conviction or release from prison.
9. **SSI recipient** — individual who received Supplemental Security Income benefits for any month ending during the 60 days ending on the date of hire.

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\* The individual need not receive the assistance for the entire period if the family received it for the entire period and the individual was on the grant and thus received assistance for at least one day of the specified period.

\*\* For information about EZ/EC/RCs, visit <http://www.hud.gov/er> or call 1-800-998-9999.

**NEW:** The former “long-term family assistance recipient” target group under the WtWTC is now a new WOTC target group. This new target group retains its former statutory definition and the more generous tax credit provisions for a tax credit of as much as \$9,000 over a 2 yr period per new hire. With respect to this target group, the first-year EOTC is increased to 40% of qualified wages for the first of employment and 50% of qualified wages for the second year of employment. Qualified wages – which include tax-exempt amounts received under accident and health plans as well as educational and dependent assistance programs – are capped at \$10,000 per year. To qualify employers for this tax credit, new hires must be employed at least 120 hours.

## Certification of an Employee in Four Simple Steps:

An employer must request and receive certification from its state workforce agency (SWA) that the new hire is a member of one of the nine WOTC target groups before the employer can claim the WOTC on its federal income tax return. To request certification, the employer must:

1. Complete page 1 of IRS Form 8850, Pre-Screening Notice and Certification Request for the Work Opportunity Credit, by the date of the job offer,
2. Complete page 2 of IRS Form 8850 after the individual is hired,
3. Complete one of the following one-page U.S. Department of Labor Forms, as appropriate:
  - ETA Form 9061, Individual Characteristics Form, if the new hire has not been given a conditional certification, or
  - ETA Form 9062, Conditional Certification Form, if provided to the job seeker by a participation agency, such as a vocational rehabilitation agency, an employment network, or a SWA, and
4. Mail the signed/dated IRS and ETA forms to the state workforce agency’s WOTC Coordinator not later than 28 days after the new hire begins work.

Form	Website Address	Phone No.
IRS 8850	<a href="http://www.irs.gov/formspubs/index.html">http://www.irs.gov/formspubs/index.html</a>	1-800-829-3676
EA 9061	<a href="http://www.doleta.gov/business/incentives/opptax">http://www.doleta.gov/business/incentives/opptax</a>	

### **Ineligible Employees:**

1. Relatives and dependents
2. Majority owners of the employer
3. Individuals previously employed by the employer

## **How to Figure WOTC:**

For most target groups, the WOTC is based on qualified wages paid to the employee for the first year of employment. Qualified wages are capped at \$6,000. The credit is 25% of qualified first-year wages for those employed at least 120 hours but fewer than 400 hours and 40% for those employed 400 hours or more.

Summer youth employees. Wages are capped at \$3,000 for 16 and 17 year olds working for a 90 day period between May 1 and September 15.

Long-term TANF recipients. Wages are capped at \$10,000. The WOTC is also available for the employee's qualified second-year wages, also capped at \$100,000. The credit is 50% of qualified wages for the second year of employment.

## **Where to Submit:**

Utah Department of Workforce Services  
WOTC Program  
140 East 300 South  
P.O. Box 45249  
Salt Lake City, UT 84145-0249

Lanelle Windley  
WOTC Coordinator  
801-526-9480  
1-800-859-3203  
lwindley@utah.gov  
jobs.utah.gov



# jobs.utah.gov



**Utah Department of Workforce Services**

**07-42-0408**

*Equal Opportunity Employer/Program • Auxiliary aids and services are available upon request to individuals with disabilities by calling (801) 526-9240. Individuals with speech and/or hearing impairments may call Relay Utah by dialing 711.  
Spanish Relay Utah: 1-888-346-3162*

## Pre-Screening Notice and Certification Request for the Work Opportunity Credit

OMB No. 1545-1500

► See separate instructions.

**Job applicant: Fill in the lines below and check any boxes that apply. Complete only this side.**

Your name \_\_\_\_\_ Social security number ► \_\_\_\_\_

Street address where you live \_\_\_\_\_

City or town, state, and ZIP code \_\_\_\_\_

Telephone number ( ) - \_\_\_\_\_

If you are under age 40, enter your date of birth (month, day, year) \_\_\_\_/\_\_\_\_/\_\_\_\_

- 1 ☐ Check here if you lived in the area impacted by Hurricane Katrina on August 28, 2005. If so, please enter the address, including county or parish and state where you lived at that time.

\_\_\_\_\_

- 2 ☐ Check here if you received a conditional certification from the state workforce agency (SWA) or a participating local agency for the work opportunity credit.

- 3 ☐ Check here if **any** of the following statements apply to you.
- I am a member of a family that has received assistance from Temporary Assistance for Needy Families (TANF) for any 9 months during the last 18 months.
  - I am a veteran and a member of a family that received food stamps for at least a 3-month period within the last 15 months.
  - I was referred here by a rehabilitation agency approved by the state, an employment network under the Ticket to Work program, or the Department of Veterans Affairs.
  - I am at least age 18 but **not** age 40 or older and I am a member of a family that:
    - a Received food stamps for the last 6 months **or**
    - b Received food stamps for at least 3 of the last 5 months, **but** is no longer eligible to receive them.
  - Within the past year, I was convicted of a felony or released from prison for a felony.
  - I received supplemental security income (SSI) benefits for any month ending within the last 60 days.

- 4 ☐ Check here if you are a member of a family that:
- Received TANF payments for at least the last 18 months, **or**
  - Received TANF payments for any 18 months beginning after August 5, 1997, **and** the earliest 18-month period beginning after August 5, 1997, ended within the last 2 years, **or**
  - Stopped being eligible for TANF payments within the last 2 years because federal or state law limited the maximum time those payments could be made.

### Signature—All Applicants Must Sign

Under penalties of perjury, I declare that I gave the above information to the employer on or before the day I was offered a job, and it is, to the best of my knowledge, true, correct, and complete.

Job applicant's signature ► \_\_\_\_\_

Date \_\_\_\_/\_\_\_\_/\_\_\_\_

**For Employer's Use Only**

Employer's name \_\_\_\_\_ Telephone no. ( ) - EIN ▶ \_\_\_\_\_

Street address \_\_\_\_\_

City or town, state, and ZIP code \_\_\_\_\_

Person to contact, if different from above \_\_\_\_\_ Telephone no. ( ) - \_\_\_\_\_

Street address \_\_\_\_\_

City or town, state, and ZIP code \_\_\_\_\_

If, based on the individual's age and home address, he or she is a member of group 4 or 6 (as described under Members of Targeted Groups in the separate instructions), enter that group number (4 or 6) . . . . . ▶ \_\_\_\_\_

Date applicant:	Gave information	____ / ____ / ____	Was offered job	____ / ____ / ____	Was hired	____ / ____ / ____	Started job	____ / ____ / ____
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**Complete Only If Box 1 on Page 1 is Checked**

State and  
county or  
parish of  
job  
\_\_\_\_\_

☐ Check if the individual was not your employee on August 28, 2005 and this is the first time the employee has been hired by you since August 28, 2005.

Under penalties of perjury, I declare that the applicant completed this form on or before the day a job was offered to the applicant and that the information I have furnished is, to the best of my knowledge, true, correct, and complete. Based on the information the job applicant furnished on page 1, I believe the individual is a member of a targeted group. I hereby request a certification that the individual is a member of a targeted group.

<b>Employer's signature ▶</b>	<b>Title</b>	<b>Date</b> /    /
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## Privacy Act and Paperwork Reduction Act Notice

*Section references are to the Internal Revenue Code.*

Section 51(d)(13) permits a prospective employer to request the applicant to complete this form and give it to the prospective employer. The information will be used by the employer to complete the employer's federal tax return. Completion of this form is voluntary and may assist members of targeted groups in securing employment. Routine uses of this form include giving it to the state workforce agency (SWA), which will contact appropriate sources to confirm that the applicant is a member of a targeted group. This form may also be given to the Internal Revenue Service for administration of the Internal Revenue laws, to the Department of Justice for civil and

criminal litigation, to the Department of Labor for oversight of the certifications performed by the SWA, and to cities, states, and the District of Columbia for use in administering their tax laws. We may also disclose this information to other countries under a tax treaty, to federal and state agencies to enforce federal nontax criminal laws, or to federal law enforcement and intelligence agencies to combat terrorism.

You are not required to provide the information requested on a form that is subject to the Paperwork Reduction Act unless the form displays a valid OMB control number. Books or records relating to a form or its instructions must be retained as long as their contents may become material in the administration of any Internal Revenue law. Generally, tax returns and return information are confidential, as required by section 6103.

The time needed to complete and file this form will vary depending on individual circumstances. The estimated average time is:

**Recordkeeping** . . . . .5 hrs., 30 min.

**Learning about the law or the form** . . . . .24 min.

**Preparing and sending this form to the SWA** . . . . .30 min.

If you have comments concerning the accuracy of these time estimates or suggestions for making this form simpler, we would be happy to hear from you. You can write to the Internal Revenue Service, Tax Products Coordinating Committee, SE:W:CAR:MP:T:T:SP, 1111 Constitution Ave. NW, IR-6406, Washington, DC 20224.

Do not send this form to this address. Instead, see *When and Where To File* in the separate instructions.



**Individual Characteristics Form (ICF)**  
**Work Opportunity Tax Credit**

**U.S. Department of Labor**  
Employment and Training Administration

1. Control Number (For Agency use only)	<b>APPLICANT INFORMATION</b> (See instructions on reverse)		OMB No. 1205-0371 Expiration Date: 2. Date Received (For Agency Use only)
<b>EMPLOYER INFORMATION</b>			
3. Employer Name	4. Employer Address and Telephone	5. Employer Federal ID Number (EIN)	
<b>APPLICANT INFORMATION</b>			
6. Applicant Name (Last, First, MI)	7. Social Security Number.	8. Have you worked for this employer before? Yes ____ No ____  If YES, enter date: _____	
<b>APPLICANT CHARACTERISTICS FOR WOTC TARGET GROUP CERTIFICATION</b>			
9. Employment Start Date	10. Starting Wage	11. Position	
12. Are you at least age 16, but under age 40? Yes ____ No ____ If YES, enter your <i>date of birth</i> _____			
13. Are you a Veteran of the U. S. Armed Forces? Yes ____ No ____ If NO, go to Box 14. If YES, are you a member of a family that received Food Stamps for at least 3 months during the 15 months before you were hired? Yes ____ No ____ If YES, enter name of <i>primary recipient</i> _____ and <i>city and state</i> where benefits were received _____. OR, are you a veteran entitled to compensation for a service-connected disability? Yes ____ No ____ If YES, were you discharged or released from active duty within a year before you were hired? Yes ____ No ____ OR, were you unemployed for a combined period of at least 6 months during the year before you were hired? Yes ____ No ____			
14. Are you a member of a family that received Food Stamps for the 6 months before you were hired? Yes ____ No ____ OR, received Food Stamps for at least a 3-month period during the 5 months before you were hired and are no longer receiving them? Yes ____ No ____ If YES to either question, enter name of <i>primary recipient</i> _____ and <i>city and state</i> where benefits were received _____.			
15. Were you referred to an employer by a Vocational Rehabilitation Agency approved by a State? Yes ____ No ____ OR, by an Employment Network under the Ticket to Work Program? Yes ____ No ____ OR, by the Department of Veterans Affairs? Yes ____ No ____			
16. Are you a member of a family that received TANF assistance for any 9 months during the 18 months before you were hired? Yes ____ No ____ If NO, are you a member of a family that received TANF assistance for at least the last 18 months before you were hired? Yes ____ No ____ OR, are you a member of a family that received TANF benefits for <b>any</b> 18 months beginning after August 5, 1997, and the earliest 18-month period beginning after August 5, 1997, ended within 2 years before you were hired? Yes ____ No ____ OR, did your family stop being eligible for TANF assistance within 2 years before you were hired because Federal or state law limited the maximum time those payments could be made? Yes ____ No ____ If YES, to any question, enter name of <i>primary recipient</i> _____ and <i>city and state</i> where benefits were received _____.			
17. Were you convicted of a felony or released from prison after a felony conviction during the year before you were hired? Yes ____ No ____ If YES, enter <i>date of conviction</i> _____ and <i>date of release</i> _____			
18. Do you live in an Empowerment Zone or Renewal Community? Yes ____ No ____ OR, in a Rural Renewal County (RRC)? Yes ____ No ____ If YES, enter <i>name of the RRC</i> : _____			
19. Did you receive Supplemental Security Income (SSI) benefits for any month ending within 60 days before you were hired? Yes ____ No ____			
20. Sources used to document eligibility:			
I certify that this information is true and correct to the best of my knowledge. I understand that the information above may be subject to verification.			
21. Signature		22. Date	

**INSTRUCTIONS FOR COMPLETING THE INDIVIDUAL CHARACTERISTICS FORM (ICF), ETA 9061.** This form is used together with IRS Form 8850 to help state workforce agencies (SWAs) determine eligibility for the Work Opportunity Tax Credit (WOTC) Program. The form may be completed by the applicant, the employer or employer representative, the SWA/DLA, or the participating agency and signed by the individual completing the form. This form is required to be used, without modification, by all employers (or their representatives) seeking the WOTC.

Boxes 1 and 2. **SWA.** For agency use only.

Boxes 3-5. **Employer Information.** Enter the name, address including ZIP code, telephone number, and employer Federal ID number (EIN) of the employer requesting the certification for the WOTC. Do not enter information pertaining to the employer's representative, if any.

Boxes 6-11. **Applicant Information.** Enter the applicant's name and social security number as they appear on the applicant's social security card. In Box 8, indicate whether the applicant previously worked for the employer, and if so, enter a date or approximate date of employment.

Boxes 12-19. **Applicant Characteristics.** Read each question carefully, answer each question, and provide additional information where requested.

Box 20. **Sources to Document Eligibility.** The applicant or employer must provide documentary evidence to substantiate the **YES answers** on page 1. List or describe the documentary evidence\* that is attached to the ICF or that will be provided to the SWA. Indicate in parentheses next to each document listed whether it is attached (A) or forthcoming (F). Some examples of acceptable documentary evidence are provided below. A letter from the agency that administers a relevant program may be furnished specifically addressing the question to which the applicant answered YES. For example, if an applicant answers YES to either question in Box 14 and enters the name of the primary recipient and the city and state in which the benefits were received, the applicant could provide a letter from the appropriate Food Stamp agency stating to whom Food Stamp benefits were paid, the months for which they were paid, and the names of the individuals included on the grant for each month.

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**Examples of Documentary Evidence and Collateral Contacts.** You may check with your SWA to find out what other sources you can use to prove target group eligibility. (Please provide documentation or collateral contacts for each question for which you answered **YES**.)

#### **QUESTION 12**

- Birth Certificate
- Driver's License
- School I.D. Card\*
- Work Permit
- Federal/State/Local Gov't I.D.
- Copy Hospital Record of Birth

#### **QUESTION 13**

- SSI Record or Authorization
- DD-214
- Reserve Unit Contacts
- Discharge Papers

#### **QUESTIONS 14 & 16**

- TANF/Food Stamp Benefit History
- Signed Statement from Authorized Individual w/Specific Description of Months Benefits Were Received
- Case Number Identifier

#### **QUESTION 15**

- Voc. Rehab. Agency Contact
- Veterans Administration
- Records' Signed Statement from Authorized Individual w/Specific Description of Months Benefits Rec'd
- To Determine *Ticket Holder* (TH) Eligibility, Fax Page 1 of Form 8850 to MAXIMUS to Verify if Applicant: 1) is a TH, and 2) has an IWP from and Employment Network

#### **QUESTION 17**

- Parole Officer's Name or Statement
- Correction Institution Records
- Court Records' Extracts

#### **QUESTION 18**

- Driver's License
- Work Permit
- Utility Bills
- Signed Statement from Authorized Individual w/Specific Description
- Lease Papers
- Voter Registration Card
- Food Stamp Award Letter
- Selective Service
- W-4
- Registration Card
- To determine if the address of a DCR is in a Rural Renewal Community, visit the site: [www.usps.com](http://www.usps.com). **Click on Find a Zip Code; Enter & Submit Address/Zip Code; Click on Mailing Industry Information; Download and Print the Information for Case File.**

#### **QUESTION 19**

- SSI Record or Authorization
- SSI Contact
- Evidence of SSI Benefits

**Note.** \* Where a Federal I.D. Card does not contain age or birth date, the SWA must obtain another valid document to verify an individual's age.

\*\* Where a library card does not contain the holder's address, the SWA must obtain another document issued in the jurisdiction where the EZ/RC or RR County is located showing the holder's address.

In March 1998, an ETA directive, officially rescinded the authority to use Form I-9 as proof of age and residence. Therefore the I-9 is no longer a valid piece of documentary evidence.

Box 21: **Signature.** The person who completed this form must affix his/her signature here. If the applicant who completed the form is a minor, the parent or guardian must sign this box.

Box 22: **Date.** Enter the month, day and year when the form was completed.

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Persons are not required to respond to this collection of information unless it displays a currently valid OMB Control Number. Respondent's obligation to reply to these questions is required to obtain and retain benefits per law 104-188. Public reporting burden for this collection of information is estimated to average 20 minutes per response including the time for reading instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the information. Send comments regarding this burden estimate or any other aspect of this collection of information, including suggestions for reducing burden to the U.S. Department of Labor, Employment and Training Administration, Division of Adult Workers, Room C-4514, Washington, D.C. 20210 (Paperwork Reduction Project 1205-0371).

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.....  
(Cut along dotted line and keep in your files)

TO: THE JOB APPLICANT OR EMPLOYEE,

THE INFORMATION AND THE SUPPORTING DOCUMENTATION YOU HAVE PROVIDED IN COMPLETING THIS FORM —OR IN SOME CASES OTHER INFORMATION THAT COULD VERIFY THE RESPONSES YOU HAVE GIVEN TO THE ITEMS/QUESTIONS IN THIS FORM— WILL BE DISCLOSED BY YOUR EMPLOYER TO THE STATE WORKFORCE AGENCY (SWA). ENTER THE SWA's NAME BELOW:

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IN ORDER TO QUALIFY FOR A FEDERAL EMPLOYER TAX CREDIT, PROVISION OF THIS INFORMATION IS VOLUNTARY. HOWEVER, THE INFORMATION IS REQUIRED FOR YOUR EMPLOYER TO RECEIVE THE FEDERAL TAX CREDIT. IF THE INFORMATION YOU PROVIDE IS ABOUT A MEMBER OF YOUR FAMILY, YOU SHOULD PROVIDE HIM/HER A COPY OF THIS NOTICE